

REPORT SUMMARY

Department of Natural Resources and Conservation

This report documents the results of our financial-compliance audit of the Department of Natural Resources and Conservation (department) for the two fiscal years ended June 30, 2008. We issued an unqualified opinion on the financial schedules contained in the report. This means the reader may rely on the financial information presented and the supporting accounting records.

This report contains 17 recommendations. The recommendations are related to internal controls, financial activities related to fires, trust land administration, and compliance with state law. This report also contains two disclosure issues related to meal reimbursement and leases of trust lands. The previous report contained eight recommendations to the department. The department implemented three, partially implemented three, and did not implement two of the recommendations.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department enhance, document, implement, monitor, and test internal controls, as required by state accounting policy.9
Department response: Concur B-3

Recommendation #2

We recommend the department ensure procurement policies and procedures are applied to equipment transactions for fire activities. 11
Department response: Concur B-3

Recommendation #3

We recommend the department:

- A. Ensure equipment lease rates are limited to rates allowed by department policy.
Department response: Concur B-3
- B. Establish procedures to ensure claims for fire costs include all documentation required by department policy prior to paying the claims.
Department response: Concur B-3
- C. Seek an alternative funding source for the \$119,205 inappropriately charged to the state's general fund fire and emergency appropriations. 13
Department response: Do not concur B-3

Recommendation #4

We recommend the department establish procedures to ensure meal costs are reimbursed at rates allowed by state law for employees in travel status. 14

Department response: Concur B-4

Recommendation #5

We recommend the department discontinue paying for unallowable or unsupported expenditures charged to fires. 15

Department response: Concur B-4

Recommendation #6

We recommend the department:

- A. Continue to maintain expenditure records in sufficient detail to identify the administration costs incurred for the benefit of each trust.

Department response: Concur B-4

- B. Seek a change in legislation to establish an expenditure allocation method that results in reasonable and appropriate cost allocations to each individual trust.

Department response: Concur B-4

- C. Repay the \$1,543,494 inappropriately withheld from Common School, State Reform School, MSU-Morrill, MSU-second grant, and Montana School for the Deaf and Blind trust revenues to the trusts and their beneficiaries. 19

Department response: Do not concur B-4

Recommendation #7

We recommend the department:

- A. Refrain from charging any trust fund an amount in excess of that allowed by law.

Department response: Concur B-5

- B. Seek legislation to establish a mechanism for funding the Trust Land Administration Account when initial allocations exceed the maximum deposit amounts allowed by state law. 20

Department response: Concur B-5

Recommendation #8

We recommend the department maximize trust revenues as required by their fiduciary duty to the trust by:

- A. Leasing property acquired under the Eustance Ranch transaction to the fullest extent possible.

Department response: Concur B-6

- B. Ensuring fair market value is reflected in the final easement transaction with the Department of Fish, Wildlife and Parks. 21

Department response: Partially concur B-6

Recommendation #9

We recommend the department implement procedures to ensure all information regarding land banking transactions is communicated to those responsible for recording the activity on the state's accounting records.....22

Department response: ConcurB-6

Recommendation #10

We recommend the department capitalize the remaining \$50,500 in lease payments as required by state law.....23

Department response: ConcurB-6

Recommendation #11

We recommend the department establish procedures to ensure property donated from the federal Department of Defense is recorded in accordance with state law and policy.23

Department response: ConcurB-6

Recommendation #12

We recommend the department deposit revenue from the sale of public land to the permanent fund, as required by the Enabling Act.....24

Department response: ConcurB-7

Recommendation #13

We recommend the department:

- A. Record its fiduciary activities appropriately on the state's accounting records as required by state law and policy.

Department response: ConcurB-7

- B. Deposit all bid receipts as required by state law.25

Department response: ConcurB-7

Recommendation #14

We recommend the department:

- A. Implement procedures to ensure the results of litigation are considered during the fiscal year-end process in accordance with state law and policy.

Department response: ConcurB-7

- B. Record transactions to properly reflect the \$41 million settlement in accordance with state law and policy.26

Department response: ConcurB-7

Recommendation #15

We recommend the department:

- A. Invest funds only when authorized to do so under state law.

Department response: ConcurB-7

B. Repay the general fund the \$23,198 for earnings the department was not authorized to retain.27

Department response: ConcurB-7

Recommendation #16

We recommend the department recover indirect costs to the fullest extent possible, as required by state law.27

Department response: Partially concurB-8

Recommendation #17

We recommend the department document compliance with federal requirements that prohibit contracting with suspended and debarred parties.....28

Department response: ConcurB-8